REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS INTERIM AS OF SEPTEMBER 30, 2015

1. PERIOD OVERVIEW

- Colbún third quarter 2015 (3Q15) **EBITDA** amounted to **US$180.9 million** which was 55% higher than the EBITDA of US$117.0 million in 3Q14. In 3Q15 there were favorable hydrological conditions and increased thermal generation using natural gas at a competitive cost compared to 3Q14.
  The 3Q15 EBITDA includes non-recurring income of US$21.5 million as a result of insurance compensation for loss of profits associated with the damages occurring in Jan14 in the Blanco power plant (60 MW).

  The EBITDA for the nine months ended September 2015 (Sep15) reached US$410.0 million, up from US$377.6 million for the nine months ended Sep14. Although the accumulated hydropower generation is lower than the previous year, the decrease in the cost of generation has more than offset the lower amount of water. The weighted average thermal cost of the company has fallen 42% from US$110/MWh to US$62/MWh, with natural gas decreasing the most (46%).

- **Non-operating income** as of 3Q15 showed a loss of US$18.4 million (vs. a loss of US$21.3 million in 3Q14) mainly due to the non-recurring income recorded in "Other Income (Loss)" of US$11.5 million as a result of the insurance compensation for physical damage at the Blanco power station (60 MW) occurring in Jan14, partly offset by a higher loss for exchange rate differences.
  Year-to-date non-operating income is a loss of US$61.0 million vs. a loss of US$45.8 million for the period from Jan14 to Sep14. This increased loss is mainly explained by higher interest expenses, as well as a higher level of average gross debt during the year and lower activation after the start-up of the Angostura plant in Apr14.

- **Tax expense** for 3Q15 amounted to **US$37.9 million**, up from US$31.1 million in 3Q14. The increase is mainly explained by higher income before taxes, offset by the net effect of exchange rate depreciation and monetary corrections given the higher inflation in 3Q15.

  For the nine months ended Sep15, a US$71.5 million tax expense was recorded vs. US$56.0 million for the same period ended in Sep14. The higher tax expense is mainly explained by: (1) higher depreciation of the accumulated CLP/US$ exchange rate up to Sep15 affecting the calculation of deferred taxes because the tax asset is accounted for in Chilean pesos (accumulated depreciation of 15.2% from Jan to Sep15 versus 14.2% for the nine months ended Sep14), (2) an increase in the first category tax rate due to the tax reform enacted in Sep14 (Law 20,780), and (3) lower accumulated inflation, which led to a lower compensatory effect for monetary corrections (accumulated inflation of 3.0% for the nine months ended Sep15 versus 3.6% from Jan to Sep14).

- In 3Q15 the company had a higher **profit that reached US$75.7 million** (vs. a profit of US$18.2 million in 3Q14), due to a higher operating income.
  The income statement reflects a profit of US$132.8 million for the year-to-date, compared to a profit of US$141.3 million in the same period last year. Despite recording a higher income before taxes, the increased tax expense leads to a slightly lower bottom line.

- The **physical withdrawals of customers under contract** during 3Q15 reached 2,741 GWh, 10% lower than physical sales under contract for the same period last year, mainly due to

lower demand for both types of customers (-12% regulated and -8% unregulated). However, **net sales in the spot market** totaled 456 GWh, more than tripling the figure recorded in 3Q14.
Year-to-date physical sales to customers under contract reached 8,346 GWh, 8% lower compared to same period last year, mainly due to the completion of the Conafe contract in Apr15, the Metro contract in Mar14 and the backup Codelco contract in Dec14. Meanwhile, net sales in the spot market totaled 1,273 GWh as of Sep15, 61% higher than Sep14 due to lower demand from customers and a total generation that remained relatively stable.

- **Hydroelectric generation** in 3Q15 reached **1,724 GWh**, 5% lower than 3Q14. Rainfall for the quarter was higher than in 2014 and even better than an average year in the relevant basins for Colbún. However, hydroelectric generation was lower than the last year, partly explained by the delayed onset of the rainy season of 2015 (July) in the Maule and BioBío basins, while in 2014 the beginning of the rainy season in these basins occurred in June. We hope that some of the rainfall for the quarter is reflected in reservoirs to be recorded after the closing of 3Q15. Additionally, the planned dispatch of CDEC-SIC considered: (1) lower thermoelectric variable costs, (2) re-entry of coal plants versus 3Q14, which led to lower marginal costs, and lower dispatch of reservoir plants.
  For the nine months ended Sep15, hydraulic generation reached 4,179 GWh, 8% lower year-over-year as a result of the difference in hydrological conditions mentioned above.

- **Coal-fired generation** during 3Q15 was **651 GWh,** 3% lower than 3Q14. This is explained by lower dispatch of the CDEC-SIC. It is worth noting that the plant had a high availability (91%) during the quarter.
  Year-to-date, coal-fired generation as of Sep15 reached 2,142 GWh, up 2% from Sep14. Considering the base generation (hydroelectric and thermal with coal) as of Sep15, this represented 76% of contractual commitments, in line with the 74% in Sep14. The remainder that is not covered by the base generation was covered by thermal generation using natural gas at a competitive cost.

At the end of 3Q15, Colbún has a **liquidity** of **US$1,090.6 million** and **net debt** of **US$780.1 million**.

1.1 GENERATION AND PHYSICAL SALES

Table 1 presents a comparative table showing physical sales of energy, capacity and production for quarters 3Q15 and 3Q14, and accumulated as of Sep15 and Sep14.

Table 1: Physical Sales and Generation

Accumulated Figures		Sales	Quarterly Figures		Var	
sep-14	sep-15		3Q14	3Q15	Acc/Acc	Q/Q
9,818	**9,619**	**Total Physical Sales (GWh)**	**3,193**	**3,197**	**(2%)**	**0%**
5,439	5,068	Regulated Clients	1,849	1,636	(7%)	(12%)
3,589	3,278	Unregulated Clients	1,197	1,106	(9%)	(8%)
791	1,273	Sales to the Spot Market	147	456	61%	210%
1,715	**1,584**	**Capacity Sales (MW)**	**1,717**	**1,585**	**(8%)**	**(8%)**

Accumulated Figures		Generation	Quarterly Figures		Var %	
sep-14	sep-15		3Q14	3Q15	Acc/Acc	Q/Q
10,007	**9,854**	**Total Generation (GWh)**	**3,240**	**3,270**	**(2%)**	**1%**
4,546	4,179	Hydraulic	1,816	1,724	(8%)	(5%)
2,822	3,217	Gas Thermoelectric	536	868	14%	62%
543	244	Diesel Thermoelectric	216	-	(55%)	(100%)
2,096	2,142	Coal Thermoelectric	672	651	2%	(3%)
-	72	Wind Farm - Punta Palmeras	-	27	-	-
24	**-**	**Spot Market Purchases**	**24**	**-**	**-**	**-**
767	**1,273**	**Sales - Purchases to the Spot Market**	**123**	**456**	**66%**	**270%**

Generation Mix

The hydrological year (Apr15-Mar16) that began in Apr15 presented low rainfall in the first few months. However, from Jul15 on the hydrological conditions improved considerably. During 3Q15, rainfall reached levels even higher than those of a normal year in all relevant Colbún reservoirs. Despite this improvement, there is a cumulative rainfall deficit compared to an average year as well as to 2014. The only basin that is found in its best conditions is Aconcagua. Meanwhile, early thawing forecasts that have been published by CDEC-SIC show a favorable scenario for the coming months. The last report published on September 30 estimated that the probability of exceedance for the Maule basin (most relevant basin for the Company) is 73%.

3Q15 hydroelectric generation reached 1,724 GWh, 5% lower than 3Q14, although the capacity of the water plant was 96%, in line with 3T14. The decrease is mainly due to lower generation by the reservoir (-13%) since the run-of-river generation plants increased slightly (1%). The lower hydroelectric reservoir generation responds to the planned dispatch by the CDEC-SIC partly explained by: (1) lower thermoelectric variable costs, (2) re-entry of coal plants, which led to lower marginal costs, and a resulting lower reservoir generation.

Coal-fired generation during 3Q15 was 651 GWh, 3% lower compared to 3Q14. This is explained by a lower dispatch due to the hydrological situation and lower load operation in some periods of the quarter. It is worth noting that the plant had a high availability (91%) during the quarter.

Thermal generation with natural gas increased 62% from 3Q15 to 3Q14. A higher volume of natural gas contracted for this quarter explains the increase. The company signed a

new medium-term contract with ENAP in the month of Sep15. This allows it to have a volume of natural gas (in addition to that already contracted with Metrogas) for the years 2016 to 2019 with generation equivalent to a combined full-year operating cycle.

During 3Q15, given the marginal costs of the system, **diesel generation was zero**, compared with 216 GWh generated in 3Q14. The SIC had a greater generation of efficient thermoelectricity (more coal and gas), which together with increased generation of NCRE, allowed marginal costs to achieve lower values and reduced diesel participation to 1%. The average marginal cost during 3Q15 was US$57/MWh, implying a fall of 54% compared to 3Q14.

Regarding the generation mix of 3Q15, **87% of the commercial commitments was covered with efficient base generation**: hydro and coal (vs. 82% of 3Q14). The remaining commitments was supplied with generation of natural gas, and considering the current negotiated commercial terms of Colbún, this is actually an efficient cost generation source.

Year-to-date, total generation by Colbún decreased 2%, mainly due to lower diesel (-55%) and hydroelectric (-8%) generation, partly offset by higher natural gas (+14%) and coal (+2%) generation. The **base generation accounted for 76% of commitments as of Sep15**, slightly higher than the 74% for the nine months ended Sep14. If natural gas is also incorporated into the base generation mix, this percentage reaches 100% for both periods under review.

2. INCOME STATEMENT ANALYSIS

Table 2 shows a summary of the Income Statement for 3Q15 and 3Q14 and accumulated as of Sep15 and Sep14. Later are analyzed key accounts and / or variations of the quarter

Table 2: Income Statement *(US$ million)*

Accumulated Figures			Quarterly Figures		Var %	
sep-14	sep-15		3Q14	3Q15	Acc/Acc	Q/Q
1,172.5	**1,012.5**	**OPERATING INCOME**	**351.2**	**337.0**	**(14%)**	**(4%)**
541.1	480.6	Regulated Customers Sales	186.6	144.3	(11%)	(23%)
395.4	256.2	Nonregulated Customers Sales	120.7	96.8	(35%)	(20%)
55.8	130.9	Energy and Capacity Sales	4.4	31.3	135%	609%
125.4	113.4	Transmission Tolls	39.2	37.9	(10%)	(3%)
54.8	31.3	Other Operating Income	0.3	26.7	(43%)	7562%
(734.7)	**(542.5)**	**RAW MATERIAL AND CONSUMABLES USED**	**(213.8)**	**(136.0)**	**(26%)**	**(36%)**
(121.6)	(108.3)	Transmission Tolls	(36.2)	(34.5)	(11%)	(5%)
(41.8)	(24.1)	Energy and Capacity Purchases	(20.4)	(10.4)	(42%)	(49%)
(323.0)	(240.1)	Gas	(64.6)	(48.8)	(26%)	(25%)
(106.5)	(42.1)	Diesel	(40.6)	(1.5)	(60%)	(96%)
(73.1)	(69.2)	Coal	(24.2)	(20.4)	(5%)	(16%)
(68.7)	(58.6)	Other Operating Expenses	(27.7)	(20.4)	(15%)	(26%)
437.8	**470.0**	**GROSS PROFIT**	**137.5**	**201.0**	**7%**	**46%**
(44.2)	(42.5)	Personnel Expenses	(14.9)	(13.7)	(4%)	(8%)
(16.1)	(17.5)	Other Expenses, by nature	(5.6)	(6.3)	9%	14%
(134.5)	(144.7)	Depreciation and Amortization Expenses	(46.3)	(48.9)	8%	5%
243.1	**265.3**	**OPERATING INCOME (LOSS)(*)**	**70.6**	**132.0**	**9%**	**87%**
377.6	**410.0**	**EBITDA**	**117.0**	**180.9**	**9%**	**55%**
4.4	3.5	Financial Income	1.7	1.4	(20%)	(18%)
(51.8)	(67.1)	Financial Expenses	(22.2)	(22.2)	30%	(0%)
6.7	2.1	Readjustment Profit (Loss)	1.0	0.9	(68%)	(12%)
(17.6)	(10.9)	Exchange rate Differences	(4.4)	(11.4)	(38%)	161%
3.9	5.5	Profit (Loss) of Companies Accounted for Using the Equity Method	1.0	2.3	41%	137%
8.6	5.8	Other Profit (Loss)	1.6	10.5	(33%)	576%
(45.8)	**(61.0)**	**NON-OPERATING INCOME**	**(21.3)**	**(18.4)**	**33%**	**(14%)**
197.3	**204.3**	**PROFIT (LOSS) BEFORE TAXES**	**49.3**	**113.6**	**4%**	**130%**
(56.0)	(71.5)	Income Tax Expense	(31.1)	(37.9)	28%	22%
141.3	**132.8**	**PROFIT (LOSS) AFTER TAX**	**18.2**	**75.7**	**(6%)**	**316%**

(*): The subtotal for "OPERATING INCOME" presented herein, differs from the "Profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the SVS, by means of which the concept of "Other profit (loss)", which in the case of Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

Revenue from Ordinary Operating Activities

Revenue in 3Q15 totaled US$337.0 million, decreasing 4% compared to 3Q14, mainly due to lower revenue from customers under contract, partially offset by higher sales of energy and power in the spot market and by non-recurring income of US$21.5 million as a result of the insurance compensation associated with the damages occurring in Jan14 in the Blanco power station (60 MW). Year-to-date, revenue fell by 14% for the same reasons.

Revenue is broken down as follows:

Regulated customers: Revenue from sales to regulated customers reached US$144.3 million in 3Q15, up 19% compared to 3Q14, mainly explained by a lower sales volume given: (1) the expiration of the contract with Conafe in Apr15, (2) a temporarily monomic lower price (higher exchange rate), and (3) lower demand.
For the nine months ended Sep15, sales reached US$480.6 million, a decrease of 11% year-over-year, mainly explained by a lower sales volume and to a lesser extent by a lower monomic price.

Free Clients: Sales to free clients amounted to US$96.8 million in 3Q15, decreasing by 20% compared with 3Q14. The main effect in this decrease can be explained by the expiration of the contract with Codelco at a marginal cost in Dec14, which was replaced by another contract with the same client at a long term price. This new contract considers the trade by Colbún of part of the supply hired by Codelco, whose margins are credited in the client's billing. Such amount is simultaneously recognized as sales to other power stations.
In cumulative terms, sales to free clients valued as of Sep5 amounted to US$256.2 million, which are lower by 35% compared with Sep14, mainly because of a lower average monomic price and to a lesser extent because of physical sales, due to the expiration of the contract with Codelco in Dec14 (mentioned above) and with Metro in Mar14.

Sales of Energy and Power: During 3Q15, there were physical sales of energy and power in the spot market for US$31.3 million (equivalent to 468 GWh), a seven time increase compared to 3Q14 (US$4.4 million, 147 GWh). Some of these sales are discounted from the revenue from unregulated customers as a result of the energy sales contract with Codelco mentioned above.
Year-to-date currency sales in the spot market rose 134%, mainly explained by higher average prices and higher sales volume. In the nine months ended Sep15, the Codelco discount mentioned previously also applies.

Tolls: On a quarterly basis, tolls remain in line with last year. However, the composition varies in terms of how much income decreases per load in the sub-transmission system due to lower customer demand, which is offset by higher charges for the trunk system and by the additional toll.
Year-to-date these revenues reached US$113.4 million, 10% lower vs. the previous year. The decrease is explained by lower tariff revenue from the trunk system due to lower demand and a lower load in the sub-transmission system.

Other income: During 3Q15, US$26.7 million in other income was recorded versus US$0.3 million in 3Q14. The 3Q15 includes a non-recurring income of US$21.5 million as a result of insurance compensation for loss of profits associated with the Jan14 failure in the Blanco power station (60 MW).
For the nine months ended Sep15, other income of US$31.3 million was recorded, down from US$54.8 million as of Sep14. The Sep15 figure is explained in a large part by compensation associated with the aforementioned Blanco power station. Meanwhile, the Sep14 figure is mainly explained by: (1) compensation for loss of profits associated with the Nehuenco II power plant in 2013 for US$32.5 million, and (2) the resulting margin between accumulated injections and withdrawals valued during the trial period (Jan14-Apr14) in the Angostura power station for US$19.7 million.

Cost of Raw Materials and Consumables Used in Operation

The **costs of raw materials and consumables used decreased in quarterly terms (36%) and in cumulative terms (26%),** both decreases can be explained mainly by a lower cost of natural gas and diesel oil. Costs are detailed as follows:

Tolls: On a quarterly basis tolls remained relatively in line. However, the composition varies in terms of how much of a higher cost associated with higher tariff revenues and additional toll costs is registered, which is offset by lower costs in the sub-transmission and trunk system mainly due to lower customer demand and lower costs associated with VATT (Annual Transmission Value per Stretch) following the toll revision in 2014.
Year-to-date, toll costs fell by 11% mainly explained, like the quarterly basis, by lower transmission and trunk toll costs due to lower demand by regulated customers and lower costs associated with VATT after the toll revision in 2014.

Purchases of Energy and Power: During 3Q15, physical purchases were made of energy and power in the spot market equivalent to US$10.4 million. This represents a decrease compared to US$20.4 million in 3Q14. In physical terms, 3Q15 did not have physical purchases of net energy, however, in this line there were purchases recorded from the Punta Palmeras of Acciona Energía wind farm. Colbún reached an agreement with Acciona Energía in Jun13, where it agreed to buy the energy generated by the facility at a stabilized price.

In cumulative terms, the disbursements as of Sep15 amounted to US$24.1 million, lower than the US$41.8 million as of Sep14, mainly due by minor purchases of power. It is important to remember that in 2014, there were disbursements related to purchases of power due to the permanent power reduction caused by the unavailabilityof the Nehuenco II power station, that had a failure during part of the period of permanent power control (from May to September 2013).

Fuel costs: During 3Q15 fuel costs reached US$70.7 million, 45% lower than the same period last year, despite the fact that physical fuel generation increased by 7%. The quarterly decrease was primarily due to the lower cost of natural gas recorded and zero diesel generation. The average cost of thermal generation itself was more efficient, reflecting the fall in commodities prices in international markets and improved contract terms reached in the supply of natural gas.
In cumulative terms, the costs of fuels as of Sep15 reached US$351.4 million, 30% lower than September 2014. This can be explained by the same reasons as the quarterly terms.

2.2 ANALYSIS OF NON-OPERATING ITEMS

The **non-operating income for 3Q15 recorded losses of US$18.4 million**, lower than the US$21.3 million loss in 3Q14, mainly due to higher spending in exchange rate differences, offset by higher Other Income.
Year-to-date the non-operating income as of Sep15 presents a greater loss, which is mainly explained by higher financial expenses explained due to both a higher level of average gross debt during the year, as well as a lower activation of these financial expenses after the commissioning of the Angostura plant in Apr14.

The main components of this income are:

Exchange rate differences: This line recorded a loss of US$11.4 million during 3Q15 mainly explained by the negative impact of increased volatility in the CLP/US$ exchange rate in 3Q15 on temporary items on the balance sheet in local currency, mainly accounts receivable and accounts payable.

For the nine months ended Sep15, this line shows a loss of US$11.2 million which compares favorably with the loss of US$17.6 million up to Sep14, the above effect mainly due to the depreciation of the CLP/US$ exchange rate on a balance that had an excess of assets over liabilities in local currency during the year 2014.

Expense Income Tax: The 3Q15 tax expense totaled US$37.9 million, up from US$31.1 million in 3Q14. The increase is explained mainly by higher income before taxes, offset by the net effect of exchange rate depreciation and monetary correction given the higher inflation in 3Q15.
For the nine months ended Sep15, US$71.5 million was recorded compared to a tax expenses of US$56.0 million for the same period in 2014. The higher tax expense is mainly explained by: (1) higher depreciation of the CLP/US$ exchange rate for the first 9 months of the year until Sep15 influencing the calculation of deferred taxes since the fixed tax asset is accounted for in Chilean pesos (accumulated depreciation of 15.2% as of Sep15 versus 14.2% as of Sep14), (2) an increase in the first category tax rate due to the tax reform enacted in Sep14 (Law 20,780), and (3) less accumulated inflation, which led to a lower compensatory effect of monetary correction (accumulated inflation of 3.0% as of Sep15 versus 3.6% as of Sep14).

3. STATEMENT OF FINANCIAL POSITION ANALYSIS

Table 3 presents an analysis of the most relevant captions of the Statement of Financial Position as of December 31, 2014 and September 30, 2015. Later are analyzed key accounts and / or variations.

Table 3: Statement of Financial Position Key Items *(US$ million)*

	dec-14	sep-15	Var	Var %
Current Assets	**1,270.2**	**1,384.3**	**114.1**	**9%**
Cash and cash equivalents *	832.8	1,090.6	257.8	31%
Trade and other accounts receivable	243.7	160.4	(83.3)	(34%)
Other	132.3	109.4	(22.9)	(17%)
Trade	111.3	51.0	(60.4)	(54%)
Current tax receivable	47.0	20.6	(26.4)	(56%)
Other current assets	146.7	112.7	(34.0)	(23%)
Non- Current Assets	**5,112.2**	**5,054.4**	**(57.8)**	**(1%)**
Property, plant and equipment	4,956.2	4,891.1	(65.1)	(1%)
Other current assets	156.0	163.3	7.3	5%
Total Assets	**6,382.3**	**6,438.6**	**56.3**	**1%**
Current liabilities	258.3	201.8	(56.5)	(22%)
Non-current liabilities	2,763.5	2,766.3	2.9	0%
Total net equity	3,360.6	3,470.5	109.9	3%
Total Liabilities and Net Equity	**6,382.3**	**6,438.6**	**56.3**	**1%**

(*) Cash and cash equivalents includes the fixed-time deposits that because of its original maturity is higher than 90 days are included as "Other financial assets, current" in the financial statements.

Cash and Cash Equivalents: Reached US$1,090.6 million, higher than at year-end 2014 mainly due to the cash flows generated in operating activities during the period, partly offset by the payment of dividends, interest and investments in property, plant and equipment (mainly La Mina project).

Trade Receivables and Other Accounts Receivable: Reached US$160.4 million, decreasing 34% from the balance as of Dec14, especially given the use of tax credits associated with recoverable taxes and lower normal sales.

Current Tax Assets: Showed a balance of US$20.6 million at the end of Sep15, a variation that is mainly due to lower balance of PUA for Absorbed Profits.

Other Current Assets: They reached US$112.7 million as of September 2015 closing, a 23% lower than December 2014, mainly due to the amortization to date of insurance primes and minor inventory balances.

Net Property, Plant and Equipment: This title registered a balance of US$4,891.1 million as of September 2015 closing, a slight decrease by 1% compared with December 2014. This can be explained mainly by the depreciation of the period, an effect that was partly compensated by the ongoing investment projects of the company (especially La Mina project).

Current Liabilities: They reached US$201.8 million, a decrease of US$56.5 million compared with Dec14 closing. This variation can be explained mainly by the payment of the interim dividend in Jan15 (US$42.6 million) and a lower record of supplier accounts payable, both effects were partly compensated by the transfer of the long term portion to the short term of amortization of an international bank credit (US$40.0 million).

Non-Current Liabilities: Totaled US$2,766.3 million at the end of Sep15, in line with Dec14. While there was a decline in financial obligations that were transferred to the short term, this was offset by higher amount of deferred taxes from depreciation of the exchange rate (-15.2%) since both tax asset as well as tax losses are carried in Chilean pesos.

Analysis of Debt: Financial debt reached US$1,870.7 million, in line with the amount at the close of Dec14. Meanwhile, financial investments increased by US$257.8 million due to cash flow generated in the period, so net debt fell by 26%. The LTM (last 12 months) EBITDA increased to US$569.0 million, as a result, the Net Debt ratio/LTM EBITDA reached a minimum of 1.4 times.

The average life of long-term debt is 5.7 years.
The average rate of long-term debt denominated in dollars is 4.8%.

	dec-14	sep-15	Var	Var %
Gross Financial Debt	1,893.9	1,870.7	(23.2)	(1%)
Financial Investments*	832.8	1,090.6	257.8	31%
Net Debt	1,061.1	780.1	(281.0)	(26%)
EBITDA LTM	536.6	569.0	32.5	6%
Net Debt/ LTM EBITDA	2.0	1.4	(0.6)	(31%)

(*) The "Financial Investments" account presented here includes the amount related to time deposits, and as they have an investment period higher than 90 days, they are registered as "Other Financial Current Assets" in the Financial Statements.

Equity: The Company achieved a net equity of US$3,470.5 million, 1% higher than the end of 2014. This increase is due to retained earnings recorded during the period from Jan15 to Sep15.

4. INDICATORS

Below is a table comparing certain financial indicators. The Statement of Financial Position's financial indicators are calculated from the indicated date and the income statement considers the cumulative earnings at the indicated date.

Table 4: Financial Indicators

Indicator	sep-14	dec-14	sep-15	Var% Acc/Acc	Var% Dec/Sep
Current Liquidity: Current Assets in operation/ Current Liabilities in operation	4.11	4.92	6.86	66.8%	40%
Acid Ratio: (Current Assets - Inventory- Advanced Payments) / Current Liabilities in operation	3.85	4.54	6.41	66.3%	41%
Debt Ratio: (Curent Liabilities in operation + Non- current Liabilities)/ Total Net Equity	0.88	0.90	0.86	(3.3%)	(5%)
Short- term Debt (%): Current Liabilities in operation/ (Current Liabilities in operation + Non-current Liabilities)	10.32%	8.55%	6.80%	(34.1%)	(20%)
Long- term Debt (%): Non- current Liabilities in operation/ (Current Liabilities in operation + Non-current liabilities)	89.68%	91.45%	93.20%	3.9%	2%
Financial Expenses Coverage: (Profit (Loss) Before Taxes + Financial Expenses)/ Financial Expenses	4.68	3.23	2.94	(37.2%)	(9%)
Equity Profitability (%): Profit (Loss) After taxes. Continuing Activities/ Average Net Equity	4.21%	2.30%	2.05%	(51.4%)	(11%)
Profitability of Assets (%): Profit (Loss) Controller/ Total Average Assets	2.36%	1.28%	1.09%	(53.6%)	(14%)
Performance of Operating Assets (%) Operating Income/ Property, Plant and Equipment, Net (Average)	6.16%	7.09%	7.64%	24.1%	8%

Cash flow indicators correspond to values in the last 12 months.

- Average Shareholders' Equity: current Shareholders' Equity plus Shareholders' Equity a year ago, divided by two.
- Total Average Assets: total current assets plus total assets a year ago, divided by two.
- Average Operating Assets: current total Property, plant and equipment plus total property, plant and equipment a year ago, divided by two.

5. CASH FLOW ANALYSIS

The cash flow behavior can be seen in the following table:

Table 5: Summary of Cash Flow Statements *(US$ million)*

Accumulated Figures			Quarterly Figures		Var %	
sep-14	sep-15		3Q14	3Q15	Acc/Acc	Q/Q
260.4	**832.8**	**Cash Equivalents, Beg. of Period [1]**	**337.4**	**912.5**	220%	170%
428.8	469.6	Net cash flows provided by (used in) operating activities	148.9	235.1	10%	58%
300.7	(137.8)	Net cash flows provided by (used in) financing activities	430.9	(29.0)	(146%)	(107%)
(87.1)	(68.9)	Net cash flows provided by (used in) investing activities [2]	(20.3)	(22.8)	(21%)	12%
642.3	**263.0**	**Net Cash Flows for the Period**	**559.4**	**183.3**	(59%)	(67%)
(24.4)	(5.2)	Effects of exchange rate changes on cash and cash equivalents	(18.6)	(5.1)	(79%)	(72%)
878.3	**1,090.6**	**Cash Equivalents, End of Period [1]**	**878.3**	**1,090.6**	24%	24%

(1) "Cash and cash equivalent" presented here includes the amount associated with term deposits, which because the investment term is greater than 90 days are recorded as "Other Current Financial Assets" in the Financial Statements.
(2) The "Investing Cash Flows" differ from those in the Financial Statements, since they do not incorporate the amount associated with term deposits that mature over 90 days.

During 3Q15, the company presented a **positive net cash flow of US$183.3 million**, less than the value of the same period last year.

Operating activities: During 3Q15, a positive net flow of US$235.1 million was generated, 58% higher than 3Q14, mainly explained by higher operating income given the company's generation mix.
Year-to-date, a positive net cash flow of US$469.6 million was recorded as of Sep15, 10% higher than the same period ended Sep14, due to the income recorded during the period.

Financing activities: Generated a negative net cash flow of US$29.0 million during 3Q15, compared with the positive net cash flow of US$430.9 million in 3Q14. This quarter's cash flow is associated with the payment of interest and amortizations. It is worth reminding that in Jul14 (3Q14), the company issued a 144A/RegS bond of US$500.0 million.
Year-to-date, a negative net cash flow of US$137.8 million was recorded, which is less than the positive net cash flow of US$300.7 million recorded for the period from Jan14 to Sep14. The difference originates from the same reasons as those given for the quarter.

Investing Activities: Generated a net negative cash flow of US$22.8 million during 3Q15, similar to 3Q14. Disbursements from this quarter were mainly associated with the La Mina project that began construction in Dec14.
For the nine months ended Sep15, investing activities generated a negative cash flow of US$68.9 million, lower than the same period last year, mainly explained because the investment last year was linked mostly to the Angostura power plant. Instead, this year it is mainly associated with the La Mina Project, a smaller project than the Angostura power plant.

6. ENVIRONMENT AND RISK ANALYSIS

Colbún S.A. is a power generating company with an installed capacity of 3,278 MW, comprising of 1,689 MW in thermal units and 1,589 MW in hydraulic units. It operates in the Central Interconnected System (SIC), were it represents about 21% of the market in terms of installed capacity.

Through its commercial policy, the Company seeks to be a safe and reliable competitive energy provider with a sales volume that allows maximizing long-term profitability of its asset base, reducing the volatility of its results. The Company results show a structural variability due to exogenous conditions such as hydrology and fuel prices (oil, gas and coal). In dry years the hydraulic generation deficit is supplied by increasing production of thermal units with diesel or gas, which complements efficient coal-fired generation. Eventually the Company purchases energy in the spot market at marginal cost.

6.1 Medium-Term Perspective

The hydrological year (Apr15-Mar16) that started in Apr15 began with low rainfall in the first few months. However, beginning in Jul15 the hydrological conditions improved considerably. During 3Q15 rainfall reached even higher levels than a normal year in all relevant basins. Despite this improvement, we still maintain a cumulative rainfall deficit compared to both an average year as well as 2014. The only basin that is in its best conditions is the Aconcagua.

Despite the lack of rainfall already mentioned: (1) the energy reserves in the system are greater than the same period last year, and (2) the first forecasts of thawing that have been published by the CDEC-SIC show a favorable scenario for the coming months. The last report published on September 30 estimated that probability of exceedance is 73% for the Maule basin (the most relevant basin for the Company).

Income during the last 12 months has shown a considerable improvement registering an EBITDA of US$569.0 million. This increase over the same period last year is explained by the noteworthy entry into operations of the new Angostura plant which provides an important base of hydroelectric generation completing a year of commercial operations in Apr15, by positive availability of the thermal generation park, which has reached a capacity of 90% in the last 12 months, and for negotiated contracts to supply natural gas, which include better pricing conditions.

Regarding the supply of gas, the Company has medium-term agreements with ENAP (recently signed in Sep15) and Metrogas. Both contracts enable it to have a natural gas supply for the 2016-2019 period, equivalent to a combined cycle operating all year. Approximate energy volumes: 2016-2017: 2,500 GWh, 2018-2019: 2,000 GWh. It also offers the possibility of accessing additional natural gas via spot purchases, if necessary.

Additionally, in the framework of the Open Season process where GNL Quintero tendered part of regasification capacity associated with the expansion of the gas regasification terminal located in Quintero, Colbún obtained a reserve capacity in the tender. The company's participation in that process is part of its long-term strategy of using its installed electric generation capacity from natural gas and contributes to providing a competitive, secure and sustainable energy supply.

Regarding contracts for 2015, it should be noted that contracts with Codelco expired in Dec14. On January 1, 2015 the Company began signing new long-term agreements with this customer for contracted power up to 510 MW and associated energy of approximately 4,000 GWh annually. The Company's contract level will remain without significant variations until 2019.

The results of the Company in the following months will be influenced by a more balance situation between efficient generation and commitments. The efficient generation will depend on the reliable operation of our power plants and a normalization of rainfall conditions.

6.2 Growth plan and long-term actions

Colbún is executing a development plan that consists in increasing its installed capacity keeping a relevant hydroelectric component, with efficient thermoelectric complement that allows it to increase supply security in a competitive manner, diversifying its sources of generation.

The company is continuously seeking for new growing opportunities in Chile and other countries in the region like Colombia and Peru, to maintain a relevant position in the generation industry and diversify its sources of revenue. These countries have an attractive economic environment and their electric sectors have a well-established regulatory framework. In addition, participation in these countries can help the diversification of the company in terms of hydrological conditions, generation technologies and access to fuels.

In Chile, Colbún has several projects under development, including hydroelectric, thermal and transmission lines.

Projects underway

▪ **La Mina Hydroelectric Project (34 MW):** La Mina is an ERNC project that is located in the community of San Clemente, approximately 110 km east of Talca. The project contemplates installed capacity of 34 MW and average annual generation of 191 GWh. The energy will be injected in 220 kV to the SIC, at the Loma Alta substation, high voltage line-through single circuit 66 kV and 24 km. The project takes care of the hydraulic potential of the Maule River starting at a water extraction point located downstream of its convergence with the Puelche River, restoring the water to the same river 2 km. downriver from the water extraction point.

In January 2015, the contractor responsible for executing civil works started construction work. During the second semester, it began placing concrete in the various work fronts, the diffusers are mounted and it awarded the construction of the Línea La Mina Loma Alta to the B. Bosch company whose construction will begin in November 2015. All the works of the project have progressed according to plan.

The project is expected to begin commercial operations in early 2017. The investment amount including the transmission line is approximately US$130 million.

Ongoing Projects

▪ **Project for Unit II of the Santa María Complex (350 MW):** The project is located in the community of Coronel in the Biobío Region and considers an installed capacity of 350 MW. Colbún currently has an approved environmental permit to develop the second unit of the complex.

The Company improved its design in 2014 - 2015, incorporating new technology to comply with the strict emissions standard current since January 1, 2012. Likewise the social, economic and commercial dimensions of the project are being analyzed in order to define the beginning of its construction in a timely manner.

- **San Pedro Hydroelectric Project (160 MW – 170 MW):** San Pedro hydroelectric project is located at 25 km northeast of Los Lagos commune, in Los Ríos Region, and it uses the water of San Pedro river by means of a station located between the mouth of Riñihue Lake and Malilhue Bridge. Considering the adjustments referred in the project, San Pedro will have an estimated design flow of 460 m^3/s (+ 10% with extra opening) and an approximate installed capacity between 160 – 170 MW for an annual generation of 950 GWh under normal water conditions. The operation of the power station will be such that the reservoir level will be practically constant, which means the water flow under the power station will not be altered by its operation.

In June 2015, the Environmental Impact Assessment (EIA) for changes to the project was submitted, which is admitted initially for processing by the Environmental Assessment Service (SEA) of Los Ríos. However, in August 2015, the authority completed the process early for lack of essential information, which was confirmed after the company filed an administrative appeal with new information.

Notwithstanding the foregoing, the Company is analyzing the observations of the public services, in order to collect and prepare the necessary background to enable a timely response with technical support for the information required by the authority. In parallel, it is developing a plan of meetings for clarification and learning with municipalities, utilities and regional authorities, as well as indigenous communities, among other stakeholders, in order to re-enter the project at the right time.

- **San Pedro-Ciruelos Transmission Line Project:** San Pedro - Ciruelos transmission line project will enable to evacuate the energy from San Pedro power station to SIC through a line of 220 kV and a length of 47 km, that will be connected with the Ciruelos substation, located 40 km northeast of Valdivia.

The main activities to date relate to the negotiations for easements of the line and the start of the project's construction.

- **ERNC Projects (Non-Conventional Renewable Energy):** The electrical standard requires that part of the contracted energy come from non-conventional renewable generation, establishing as a goal that by 2025, 20% of energy will come from this type of technology.

In this context, in 2013 Colbún signed a contract with Acciona Energía for the purchase of the energy and attributes generated by the Punta Palmeras 45 MW wind farm, located in the commune of Canela, 70 km from Los Vilos, in the IV Region, which came into commercial operation in November 2014.

Likewise, Colbún continues to analyze the technical and economic feasibility of various mini hydraulic power plant projects, which would use the water rights of irrigation associations, companies and individuals. Participation in generation projects using other technologies is also being studied.

- **HidroAysén:** Colbún has a 49% interest in HidroAysén S.A.

Notwithstanding the natural uncertainty about the timing and content of the decisions of the courts to which HidroAysén is subject to, as well as the guidelines and conditions or potential reformulations of processes being driven by the government regarding its long-term energy policy and territorial basin planning determined in relation to the development of the potential Aysen hydroelectric project, Colbún S.A. has reiterated its conviction that its existing water rights, requests for additional water rights, environmental qualification resolution, concessions, field studies, engineering, authorizations and project properties are assets acquired and developed by the company during the past eight years under the existing institutional framework and in accordance with international technical and environmental standards.

Colbún S.A. has confirmed that the development of that hydroelectric potential presents benefits for the country's growth and the option to participate in it represents for the company a potential generation source of long-term value.

- **Other:** The company has continued to carry out technical, economic and environmental pre-feasibility and feasibility studies for hydroelectric projects that would use water rights that Colbún owns in the Maule and Bio Bio regions, among others.

Moreover, we are working in the development of options to purchase natural gas directly from the international market.

6.3 Electricity Business Risks

At Colbún, risk management is a strategic issue to safeguard the principles of company stability and sustainability, eliminating or mitigating uncertainty variables that could significantly affect the achievement of its objectives.

Fully managing risks assumes the identification, assessment and control of the different risks faced by the different areas of the company, as well as estimating their impact on its consolidated position, follow up and control over time. This process involves Colbún's senior management as well as the areas that directly manage the risks.

The Risks Committee, with the support of Corporate Risk Management and in coordination with the rest of the Company's divisions, follows up on risk management.

6.3.1. Hydrology Risks

Forty-eight percent (48%) of Colbún's power plants are hydraulic and therefore are exposed to variable rainfall conditions. Under dry conditions, in order to be able to fulfill its contracts, Colbún must operate its combined cycle thermal plants with purchased natural gas or diesel, or by defect operate its inefficient thermal plants or else resort to the spot market.

This situation increases Colbún's costs, increasing the variability of its results depending on rainfall conditions. The Company's exposure to hydrological risk is reasonably mitigated through a commercial policy whose purpose is to maintain a balance between the competitive base generation (hydraulic in a medium to dry year and coal thermal generation) and its commercial commitments. In conditions of extreme and repeated drought, the possible lack of water for cooling would affect the generating capacity of the combined cycles. Its impact could be mitigated by purchasing water from third parties and / or by operating such units in open cycle.

6.3.2. Risk of fuel prices

In situations of low effluents at hydraulic plants, Colbún must mainly use its thermal plants or buy energy on the spot market at marginal cost. The above generates a risk due to changes in international fuel prices. Part of this risk is mitigated with contracts whose selling price is also indexed to changes in fuel prices. In addition, hedging programs are undertaken with various derivative instruments, such as call and put options, among others, to hedge the remaining portion of this exposure, should it exist.

6.3.3. Fuel supply risk

For the supply of liquid fuel the Company has agreements with suppliers and its own storage capacity to ensure adequate reliability in respect to the availability of this type of fuel. With respect to coal, new tenders have been undertaken inviting important international suppliers to bid, awarding the supply contract to solvent and competitive companies. This is in line with an early purchasing policy in order to prevent any risk of not having this fuel available.

6.3.4 Risk of equipment failure and maintenance

The availability and reliability of generating units and transmission assets is essential to ensure the levels of production to adequately cover our commitments. This is why Colbún's policy is to conduct regular maintenance on its equipment according to the recommendations of its suppliers and maintains insurance for its physical assets, including coverage for physical damage and loss of profit due to business interruption.

In relation to this risk and despite the daily operational management performed by the Company, on October 16, 2015 during maintenance on Unit 1 of the Chacabuquito plant (29MW), in the commune of Los Andes, an incident occurred with a medium voltage switch in this plant, which has been kept out of service. They are analyzing the possible damages and will estimate a date of return to service.

6.3.5 Project Construction Risks

The development of new generation and transmission projects can be affected by factors such as delays in obtaining environmental approvals, regulatory framework changes, prosecutions, an increase in the price of equipment or salaries, opposition from local and international stakeholders, and adverse geographical conditions, natural disasters, accidents or other unforeseen events.

The Company's exposure to such risks is managed through a commercial policy that considers the effects of potential project delays. Alternatively, we incorporate clearance levels in the time and cost of construction estimates. Additionally, the Company's exposure to this risk is partially covered with the "All Risk Construction" insurance policies covering both physical damage and loss of profit from a delay in commissioning the plant as a result of a disaster, both with standard deductibles for these types of insurance.

We face a very challenging power market with great activation by various interest groups, mainly from neighboring communities, who are legitimately demanding more participation and involvement. Additionally, apart from the inherent challenges to build new infrastructure, a long and uncertain environmental approval process is needed followed by a long and litigious process. This situation has led to a decrease in the construction of significant new projects.

Likewise, Colbún has a policy of excellent integration of the social and environmental dimensions of its projects in their development. The Company has developed a social engagement model that allows it to work in conjunction with neighboring communities and society in general, initiating a transparent citizen participation and trust-building process at the early stages of the projects and during their entire life cycle.

6.3.6 Regulatory Risks

Regulatory stability is fundamental to the generation sector, due to the long-term nature of the development, execution and return on investment of investment projects. Colbún believes that regulatory changes must be made taking into consideration the complexities of the electrical

system and maintaining adequate investment incentives. It is important to have a regulation that provides clear and transparent rules that consolidate the trust of the agents in the sector.

The energy agenda promoted by the government contemplates various regulatory changes. Depending on how they are implemented, these could represent either an opportunity or risk for the company. Of particular relevance are changes currently being discussed in Congress about: (i) the new Transmission Law to redefine key aspects of this segment and a new organization of CDEC which considers the union of CDEC-SIC with CDEC SING, (ii) an amendment to the Water Code, and (iii) the Equity Tariff Law which would seek a certain equivalence of tariffs in the country to facilitate the development of new power projects locally. Other important projects of transversal law are the so-called "Labor Reform," particularly the most relevant to the generation industry as well as the qualification of "strategic enterprises" and "minimum services" for replacement workers in case of a strike. We highlight relevant initiatives in the sector, such as: (i) the definition of long-term energy policy for the country (2050) and (ii) the Law on Biodiversity and Protected Areas currently being discussed in Congress, among others. The quality of this new regulation and the messages that authority will give it depend, in good measure, on the necessary and balanced development of the electricity market in the coming years.

6.3.7. Risk of change in the demand/offer and selling price of electric energy

The projection of demand for future power consumption is very relevant information for the determination of market price. For the medium term, a lower growth of demand than projected produces an imbalance between supply and demand, which affects energy prices. Moreover, there is a greater development of NCRE projects at competitive costs that also provide an efficient supply.

6.4 Financial Risks

Financial risks are those associated with the inability to perform transactions or the breach of obligations from the activities for lack of funds, as well as variations in interest rates, exchange rates, counterparty bankruptcy or other financial market variables that may materially affect Colbún.

6.4.1 Foreign Exchange rate risk

The foreign exchange rate risk is mainly a consequence of cash flows in currencies other than the functional currency of the Company. The instruments used to manage foreign exchange risk are currency swaps and forwards.

In terms of currency matching, the average annual balance of the Company as of September 30, 2015 shows a fairly balanced structural position between assets and liabilities in Chilean pesos. This position is reflected in an exchange difference of about US$0.15 million for every $10 change in the peso-dollar parity.

6.4.2 Interest Rate Risk

Refers to changes in interest rate that affect the value of future cash flows referenced at variable interest rates, and changes in the fair value of assets and liabilities referenced at fixed interest rates that are accounted for at fair value. The company uses fixed interest rate swaps to mitigate this risk.

The company's financial debt, incorporating the effect of interest rate derivatives engaged is detailed as follows:

Interest rate	sep-15	dec-14	sep-14
Fixed	100%	100%	100%
Floating	0	0%	0%
Total	**100%**	**100%**	**100%**

6.4.3 Credit Risk

The Company is exposed to the risk arising from the possibility that certain counterparty fails to meet its contractual obligations and produce economic or financial loss.

With respect to cash and derivatives statements, Colbún carries out the transactions with high credit ratings institutions, recognized nationally and internationally. In addition, the Company has established participation limits by counterparty, which are approved by the Board of Directors and reviewed periodically.

As of September 30, 2015, cash surplus is invested in mutual funds (in bank branches) and in fixed-time deposits in local and international banks. The first instruments correspond to short-term mutual funds with a maturity of less than 90 days, known as "money market". In the case of the banks, local ones have a local credit rating equal or superior to AA- and the foreign ones have international investment grade credit rating. These investments are diversified over a wide range of financial institutions, with the one having the highest share of 19%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to A- or above and national counterparts have local rating of AA- or higher. It should be noted that no counterpart concentrates more than 15% in notional terms.

6.4.4 Liquidity Risk

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, etc. The funds needed to meet these cash flow outputs are obtained from our own resources generated by the ordinary activity of Colbún and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of September 30, 2015 Colbún has cash in excess in the amount of US$1,090.6 million invested in fixed-time deposits with an average duration of 60 days and in short-term mutual funds with maturity of less than 90 days. Furthermore, the Company has additional liquidity sources available to date: (i) a committed line with local banks for UF 4 million, (ii) two lines of bonds registered in the local market for a total amount of UF 7 million, (iii) a line of trade notes in the local market for UF 2.5 million and (iv) uncommitted bank credit lines for approximately US$150 million.

In the next 12 months, the Company must disburse approximately US$106 million in interest and amortization of principal. These disbursements will be attended with cash flow from operations.

As of September 30, 2015, Colbún has national risk classifications of A+ by Fitch and AA- by Humphreys, both with stable outlooks. Internationally, the classification of the company is BBB by Fitch Ratings (recently ratified in Sep15) and BBB- by Standard & Poor's (S&P), both with stable outlooks.